

**MONTGOMERY AREA**  
**MENTAL HEALTH AUTHORITY, INC.**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

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# MOSES & MOSES

CERTIFIED PUBLIC ACCOUNTANTS, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Montgomery Area Mental Health Authority, Inc.  
Montgomery, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Montgomery Area Mental Health Authority, Inc., as of and for the year ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Montgomery Area Mental Health Authority, Inc.'s basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Montgomery Area Mental Health Authority, Inc., as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in net pension liability, schedules of collective deferred outflows and inflows of resources, and schedules of employer contributions on pages 3 through 7 and 38 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

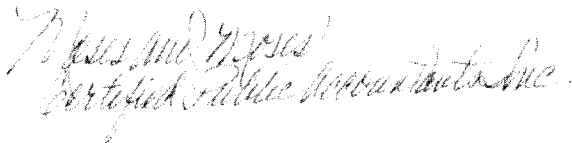
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montgomery Area Mental Health Authority, Inc.'s basic financial statements. The schedule of operating revenues and the schedule of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of operating revenues, schedule of operating expenses, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating revenues, schedule of operating expenses, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020 on our consideration of the Montgomery Area Mental Health Authority, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Montgomery Area Mental Health Authority, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery Area Mental Health Authority, Inc.'s internal control over financial reporting and compliance.

**MOSES & MOSES  
CERTIFIED PUBLIC ACCOUNTANTS, INC.**



Montgomery, Alabama

December 30, 2020

## **INTRODUCTION**

Management's discussion and analysis of the Montgomery Area Mental Health Authority, Inc.'s (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal years ended September 30, 2019 and 2018. This information should be used in conjunction with the Authority's financial statements and notes to the financial statements, which immediately follow this analysis.

## **AUTHORITY ACTIVITIES**

The Authority is a public nonprofit corporation, incorporated under ACT 310 of the 1967 Alabama legislature. The Authority operates under the provisions of Code of Alabama 1975, Section 22-51-1 through 22-51-14. The Authority is a Comprehensive Community Mental Health Center serving Montgomery, Autauga, Elmore, and Lowndes counties and was formed for the purpose of contracting with the Alabama Department of Mental Health and Mental Retardation in operating programs and facilities for mental retardation services.

## **USING THIS ANNUAL REPORT**

The Authority prepares its financial statements in accordance with Governmental Accounting Standards Board statements. The Authority's financial statements consist of three statements – a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority.

The statements of net position include all assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present the revenues earned and expenses incurred during the year on an accrual basis. Activities on these statements are reported as either operating or non-operating. The utilization of capital assets is reflected as depreciation expense, which amortizes the cost of an asset over its useful life.

The statements of cash flows present information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities. These statements report the sources and uses of cash during the fiscal year and can provide a measure of the Authority's ability to meet its financial obligations as they mature.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2019 AND 2018**

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**FINANCIAL HIGHLIGHTS**

As of and for the year ended September 30, 2019, the assets of the Authority exceeded its liabilities, resulting in a positive net position amount of \$4,821,162, and revenues exceeded expenses by \$4,425. As of and for the year ended September 30, 2018, the assets of the Authority exceeded its liabilities, resulting in a positive net position amount of \$4,816,737, and expenses exceeded revenues by \$692,612.

There was a significant development that began affecting the financial operations of the Authority beginning with fiscal year 2015. During the year ended September 30, 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Implementation of these statements affected the financial reporting of its Employees' Retirement System of Alabama (ERS) defined benefit pension plan (the Plan) administered by the Retirement Systems of Alabama (RSA) and resulted in the Authority recognizing its long-term obligation for pension benefits as a liability for the first time. The Authority's net pension liability amounted to \$884,052 and \$1,242,296 as of September 30, 2019 and 2018, respectively.

In addition, the implementation of these pension standards resulted in the Authority more comprehensively and comparably measuring the annual costs of pension benefits. Both the net pension liability and pension expense for the Plan was determined as of an earlier measurement date (September 30, 2017). In this situation, GASB Statement No. 68 does not allow the cash payments made by the Authority to the Plan after the measurement date to have any effect on either the net pension liability or the pension expense that is reflected in the financial statements for the applicable fiscal years. Therefore, all cash contributions made by the Authority to the Plan during the year ended September 30, 2019 and 2018 totaling \$289,531 and \$331,058, respectively, were reclassified as deferred outflows of resources. These amounts are recorded as an element of pension expense during the following fiscal year. During fiscal years 2019 and 2018, the Authority recognized deferred inflows of resources in the amount of \$998,051 and \$897,830, respectively, which related entirely to one particular element of the computation of deferred inflows of resources – the difference between projected and actual earnings on Plan investments. Pension expense of \$110,462 and \$243,031 was recognized for the years ended September 30, 2019 and 2018, respectively. To assist in reflecting upon the effect of these transactions, it should be noted that prior to the implementation of these two pension standards, only the amount of employer contributions for the fiscal year was generally recognized as an expense.

**CONDENSED STATEMENTS OF NET POSITION**

	2019	2018
Current assets	\$ 2,383,908	\$ 2,087,357
Noncurrent assets	313,000	313,000
Capital assets, net of depreciation	5,124,337	5,419,264
<b>Total assets</b>	<b>7,821,245</b>	<b>7,819,621</b>
<b>Deferred outflows of resources</b>	<b>805,284</b>	<b>912,125</b>
<b>Total assets and deferred outflows of resources</b>	<b>8,626,529</b>	<b>8,731,746</b>

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2019 AND 2018**

**CONDENSED STATEMENTS OF NET POSITION (CONTINUED)**

	2019	2018
Current liabilities	1,760,586	1,552,087
Noncurrent liabilities	1,046,730	1,465,092
<b>Total liabilities</b>	<b>2,807,316</b>	<b>3,017,179</b>
<b>Deferred inflows of resources</b>	<b>998,051</b>	<b>897,830</b>
Net position - net investment in capital assets	4,901,363	5,137,171
Net position - unrestricted	(80,201)	(320,434)
<b>Total net position</b>	<b>4,821,162</b>	<b>4,816,737</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 8,626,529</b>	<b>\$ 8,731,746</b>

The Authority's current assets consist of cash, receivables, prepaid expenses (insurance, rent, and software maintenance), and security deposits at September 30, 2019 and 2018.

The Authority capitalizes assets that cost \$1,000 or more. During the years ended September 30, 2019 and 2018, the Authority purchased \$3,000 and \$196,329 respectively, in capital assets. The Authority's investment in capital assets includes land, buildings, improvements other than buildings, equipment, furniture and fixtures, and vehicles. See the notes to the financial statements for a more detailed analysis of capital assets.

The Authority's current liabilities are primarily comprised of accounts payable, compensated absences, and accrued payroll.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**

	2019	2018
Operating revenues	\$ 15,089,537	\$ 14,355,113
Operating expenses	14,999,660	15,044,859
<b>Operating income</b>	<b>89,877</b>	<b>(689,746)</b>
<b>Nonoperating revenues (expenses)</b>	<b>(85,452)</b>	<b>(2,866)</b>
<b>Change in net position</b>	<b>4,425</b>	<b>(692,612)</b>
<b>Net position, beginning of year</b>	<b>4,816,737</b>	<b>5,509,349</b>
<b>Net position, end of year</b>	<b>\$ 4,821,162</b>	<b>\$ 4,816,737</b>

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2019 AND 2018**

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**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION (CONTINUED)**

For the years ended September 30, 2019 and 2018, approximately 85% and 84%, respectively, of the Authority's funding is provided through its contracts with the Alabama Department of Mental Health and Medicaid reimbursements associated with those contracts. Approximately 89% and 88% of the Authority's funds are expended on programs and 10% and 11% on administration for the years ended September 30, 2019 and 2018, respectively. These percentages include depreciation expense. Payroll and payroll related items are the largest expenditures of the Authority and represent approximately 69% and 70% of expenses for the years ended September 30, 2019 and 2018, respectively.

**CONDENSED STATEMENTS OF CASH FLOWS**

	2019	2018
Cash provided (used) by:		
Operating activities	\$ (9,825)	\$ (111,917)
Noncapital financing activities	(1,295)	(313,370)
Capital and related financing activities	(41,763)	(71,096)
Investing activities	1,001	2,317
<b>Net increase (decrease in cash and cash equivalents)</b>	<b>(51,882)</b>	<b>(494,066)</b>
<b>Cash, cash equivalents, and restricted assets at beginning of year</b>	<b>427,263</b>	<b>921,329</b>
<b>Cash, cash equivalents, and restricted assets at end of year</b>	<b>375,381</b>	<b>427,263</b>
<b>Less restricted cash at end of year</b>	<b>(50,443)</b>	<b>(41,515)</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 324,938</b>	<b>\$ 385,748</b>

**BUDGET ANALYSIS**

For the year ended September 30, 2019, the Authority adopted a budget reflecting operating revenues of \$15,535,165 and operating expenses of \$15,535,165. For the year ended September 30, 2018, the Authority adopted a budget reflecting operating revenues of \$15,444,515 and operating expenses of \$15,444,515.

For the year ended September 30, 2019, actual operating revenues of \$15,089,537 were \$445,628 less than budget. For the year ended September 30, 2018, actual operating revenues of \$14,355,113 were \$1,089,402 less than budget.

For the year ended September 30, 2019, actual operating expenses were \$14,999,660 and were \$535,505 less than budget. For the year ended September 30, 2018, actual operating expenses were \$15,044,859 and were \$399,656 less than budget.



### **ECONOMIC FACTORS**

It is extremely important for the Authority to maintain its contractual relationship with the Alabama State Department of Mental Health and Mental Retardation. For the years ended September 30, 2019 and 2018, approximately 68% and 63%, respectively, of operating revenues are generated via that relationship.

## **BASIC FINANCIAL STATEMENTS**

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**STATEMENTS OF NET POSITION**  
**AS OF SEPTEMBER 30**

	<b>2019</b>	<b>2018</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 324,938	\$ 385,748
Restricted cash	50,443	41,515
Accounts receivable, net of allowance for doubtful accounts of \$54,526 and \$54,526	1,881,745	1,411,704
Prepaid expenses	121,882	243,490
Security deposits	4,900	4,900
Total current assets	<u>2,383,908</u>	<u>2,087,357</u>
<b>NONCURRENT ASSETS:</b>		
Certificate of deposit	313,000	313,000
Capital assets:		
Construction in progress	-	48,952
Land	422,374	422,374
Depreciable buildings, property, and equipment	7,319,610	7,335,328
Accumulated depreciation	(2,617,647)	(2,387,390)
Total noncurrent assets	<u>5,437,337</u>	<u>5,732,264</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Employer retirement contributions	805,284	912,125
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>8,626,529</u></u>	<u><u>8,731,746</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	785,308	616,670
Client funds held in trust	50,443	41,515
Payroll withholdings and accruals	63,205	89,816
Accrued payroll	350,864	295,866
Accrued leave	450,514	448,928
Line of credit	-	-
Current maturities of long-term debt	60,252	59,292
Total current liabilities	<u>1,760,586</u>	<u>1,552,087</u>
<b>NONCURRENT LIABILITIES:</b>		
Note payable	162,678	222,796
Net pension liability	884,052	1,242,296
Total noncurrent liabilities	<u>1,046,730</u>	<u>1,465,092</u>
<b>TOTAL LIABILITIES</b>	<u>2,807,316</u>	<u>3,017,179</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Defined benefit pension plan	998,051	897,830
<b>NET POSITION:</b>		
Net investment in capital assets	4,901,363	5,137,171
Unrestricted (deficit)	(80,201)	(320,434)
<b>TOTAL NET POSITION</b>	<u>4,821,162</u>	<u>4,816,737</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 8,626,529</u></u>	<u><u>\$ 8,731,746</u></u>

See independent auditor's report and notes to financial statements.

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUE:</b>		
Grants	\$ 678,000	\$ 675,250
Programs	14,410,992	13,672,092
Other	545	7,771
Total operating revenue	<u>15,089,537</u>	<u>14,355,113</u>
<b>OPERATING EXPENSES:</b>		
Conferences, conventions, and meetings	14,197	10,286
Depreciation	203,374	211,003
Dues and subscriptions	28,497	29,739
Loans and leases	332,972	330,818
Maintenance and repairs	120,275	125,801
Miscellaneous	3,471	3,892
Other direct program expenses	1,696,603	1,530,512
Personnel	10,604,988	10,800,974
Postage and shipping	4,949	5,703
Printing and publications	18,860	5,686
Professional fees	1,255,855	1,342,407
Rent and utilities	549,045	529,122
Supplies and equipment	127,716	80,598
Transportation	38,858	38,318
Total operating expenses	<u>14,999,660</u>	<u>15,044,859</u>
<b>OPERATING INCOME</b>	89,877	(689,746)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Bad debt expense	(5,000)	-
Bank charges and finance fees	(1,295)	(870)
Contribution revenue	-	500
Interest expense	(9,147)	(12,299)
Interest income	1,001	2,317
Loans and leases	(48,952)	-
Loss on sale of capital assets	-	-
Rental income (loss), net	(22,059)	7,486
Total nonoperating revenues (expenses)	<u>(85,452)</u>	<u>(2,866)</u>
<b>CHANGE IN NET POSITION</b>	4,425	(692,612)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>4,816,737</u>	<u>5,509,349</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 4,821,162</u></u>	<u><u>\$ 4,816,737</u></u>

See independent auditor's report and notes to financial statements.

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from patients and others	\$ 3,332,668	\$ 3,951,813
Receipts from grants, contracts, and others	11,229,205	10,809,743
Receipts from other sources	46,624	31,139
Payments to suppliers and others	(5,309,547)	(5,046,961)
Payments to employees for services and benefits	(9,308,775)	(9,857,651)
Net cash used by operating activities	<u>(9,825)</u>	<u>(111,917)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Bank charges and finance fees	(1,295)	(870)
Contributions	-	500
Purchase of certificate of deposit	-	(313,000)
Net cash used by noncapital financing activities	<u>(1,295)</u>	<u>(313,370)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Borrowings under line of credit agreement	-	-
Payments made on line of credit	-	(187,000)
Proceeds from long-term debt	-	312,293
Repayments of long-term debt	(59,158)	(30,205)
Cash paid for interest on long-term debt	(9,147)	(12,299)
Purchase of capital assets	(3,000)	(196,329)
Receipts from building rental contracts	29,542	42,444
Net cash used by capital and related financing activities	<u>(41,763)</u>	<u>(71,096)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest income	1,001	2,317
Net cash provided by investing activities	<u>1,001</u>	<u>2,317</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(51,882)	(494,066)
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED ASSETS AT BEGINNING OF YEAR</b>	<u>427,263</u>	<u>921,329</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED ASSETS AT END OF YEAR</b>	375,381	427,263
<b>LESS RESTRICTED CASH AT END OF YEAR</b>	<u>(50,443)</u>	<u>(41,515)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 324,938</u></u>	<u><u>\$ 385,748</u></u>

See independent auditor's report and notes to financial statements.

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30**

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 89,877	\$ (689,746)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	203,374	211,003
Pension expense	(151,182)	(60,503)
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:		
Receivables, net	(481,041)	437,582
Security deposits	-	-
Prepaid expenses	121,608	20,328
Accounts payable	168,638	111,948
Client funds held in trust	8,928	(3,523)
Accrued expenses	29,973	(139,006)
Total adjustments	<u>(99,702)</u>	<u>577,829</u>
Net cash (used) provided by operating activities	<u>\$ (9,825)</u>	<u>\$ (111,917)</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Contributed vehicles	<u>\$ -</u>	<u>\$ 500</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ (9,147)</u>	<u>\$ (12,299)</u>

See independent auditor's report and notes to financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ***Reporting Entity***

The Montgomery Area Mental Health Authority, Inc. (the "Authority") is a public nonprofit corporation, incorporated under ACT 310 of the 1967 Alabama legislature. The Authority operates under the provisions of Code of Alabama 1975, Section 22-51-1 through 22-51-14.

The Authority is a Comprehensive Community Mental Health Center serving Montgomery, Autauga, Elmore, and Lowndes counties and was formed for the purpose of contracting with the Alabama Department of Mental Health and Mental Retardation in operating programs and facilities for mental retardation services. The Authority is charged with planning and providing services for individuals suffering from mental illness, substance abuse, and intellectual disabilities who would otherwise be unable to afford mental health services in the private sector.

Funds are received from: State Department of Mental Health (several contracts including Title XX for service delivery), City and County of Montgomery, City of Prattville, City of Wetumpka, Elmore County, Autauga County, and fees from clients both direct and third party.

### ***Major Programs***

Outpatient Services (Montgomery, Elmore, Autauga, and Lowndes Counties) - Includes Intake Services, Therapy, and Psychiatric Services.

Intake Services - Provides complete psychosocial intakes in Autauga, Elmore, Lowndes, and Montgomery counties to determine if a mental illness exists and the services needed for the individual to function to the fullest capability. Initial diagnosis and treatment planning is established.

Therapy - Provides licensed, Master's Degree personnel trained in mental illness to help consumers determine what they want to achieve in their lives and be able to live the lifestyle desired to the fullest.

Psychiatric Services - Provides full psychiatric care for adults, adolescents, and children suffering from serious mental illness/emotional disturbance. Assisting the psychiatric staff are registered nurses, medical assistants, and Licensed Practical Nurses who take vital signs and provide injections, medication monitoring, and medication education. Psychiatry services are provided in Autauga, Elmore, Lowndes, and Montgomery counties with on-site psychiatrist or telemedicine psychiatrists.

Case Management - Provides case management services to adults and children to ensure consumers are compliant with medication and treatment. Case managers routinely check on consumers to ensure they are compliant with treatment as well as ensuring they have the services needed to lead a fulfilling life. There are a variety of specialty subsets of case management, including forensic, custody to community, and homeless case management.

Pharmaceutical Assistance Program - Provides psychotropic medications to consumers who meet qualifications of the drug manufacturer to ensure they receive the necessary medications to remain stable at a nominal or no cost.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Major Programs (continued)***

Children's Services - Provides psychiatric care as well as psychotherapy to help children deal with mental illness and serious emotional disturbances. Provides five nontraditional treatment teams to help children and adolescents wherever the help is needed through in-home intervention.

Juvenile Court Liaison - Provides services to children and adolescents with mental illness/serious emotional disturbances (SMI/SED) who must work within the juvenile justice system by providing referrals and acute care services to prevent commitment proceedings.

Total Adolescent Care - This program is part of Children's Services and integrates pediatric care with mental health services. Ages served are from birth to nineteen years of age.

Crisis Evaluation and Support Team - Provides help to families and consumers who are in crisis and in danger of being committed to a state hospital/Community Mental Health Center by offering alternative treatment solutions.

Intensive Day Treatment Program - Provides intensive day treatment services for seriously mentally ill consumers daily by conducting groups in self-esteem, wellness, medication management, financial management, socialization, basic living skills, group therapy, and individual therapy.

Crisis Stabilization Unit - Provides stabilization to consumers in mental crisis thereby preventing hospitalization. Length of stay is limited to 182 days per episode.

Psychiatric Assessment Center (PAC) - Located on the grounds of Jackson Hospital, the PAC assesses/stabilizes individuals reporting to local hospital Emergency Rooms with psychotic symptoms or being at risk to hurt self or others. Length of stay is 4.5 days; if not stable, consumers are transferred to another residential facility.

Beth Manor Crisis Residential Unit - Located on the grounds of the 3948 Beth Manor Drive property, the Beth Manor Crisis Residential Unit provides inpatient psychiatric care for voluntary and committed consumers. The length of stay per admittance is not to exceed 182 days.

Residential Services - Provides twenty-four hours per day and seven days per week protection and oversight to the seriously mentally ill who are unable to live independently. Residents are provided three nutritious meals per day as well as snacks.

Supportive Housing Program - Provides homes to the seriously mentally ill through Housing and Urban Development grants to subsidize the cost of scattered site apartments throughout the City of Montgomery.

Meals, Observation, Medications (MOM) - Located on the grounds of Addison Park Apartments, this program makes available four three-bedroom apartments for consumers as a step-down unit from a group home or crisis residential facility. It provides twenty-four hours per day and seven days per week care to the consumers housed in these apartments.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Major Programs (continued)***

Evidenced-based Supportive Housing - Located on the grounds of the Fields at Carriage Hills, this program makes available six two-bedroom apartments for consumers. Case management services are provided to the consumers housed in these apartments if requested.

Crisis and Evaluation Support Team (CEST) - Located on the grounds of Addison Park apartments, this program makes available four three- and two-bedroom apartments for consumers who are homeless and need a brief transitional stay while seeking more permanent housing. The length of stay is no more than 45 days and no rent is charged to the consumer.

Rehabilitative Day Treatment Program - Provides rehabilitative day treatment services for seriously mentally ill consumers daily by conducting groups in self-esteem, wellness, medication management, financial management, socialization, and basic living skills.

School Based Mental Health Program - Provides traditional therapy and psychiatric care in the Autauga, Elmore, Lowndes, and Montgomery County School Systems.

Assertive Community Treatment (ACT) - A five-person team assigned to up to 48 consumers. Provides intensive in-home and office based services to consumers identified as high risk for hospitalization. The team consists of a Master's Degree level therapist, substance abuse therapist, case manager, registered nurse, and psychiatrist.

Intensive Placement and Support (IPS) - A supported employment team that consists of a Program Manager, Employment Specialists, Benefits Specialists, and Peer Specialists. Consumers are given support, assistance, and training for employment. This program is available to adults with serious mental illness.

Substance Abuse Services - Program in development with a Temporary Operating Certificate. The Authority is developing programs to provide substance abuse services and co-occurring substance abuse services to adults and adolescents in Montgomery County. Services will be provided utilizing the following "Levels of Care":

- Level I: Outpatient Treatment consists of organized services that may be delivered in a variety of settings, to include in a clinic or in a school. These are professionally directed services provided by addiction or mental health personnel that include evaluation, treatment, and recovery services. These services are provided in regularly scheduled sessions and follow a defined set of policies and procedures or medical protocols.
- Level II.I: Intensive Outpatient Treatment consists of an organized outpatient service that delivers treatment services during the day, before or after work or school, in the evenings or on the weekends. These programs essentially provide education and treatment components while allowing consumers to apply their newly acquired skills within "real world" environments. These programs have the capacity to arrange for medical and psychiatric consultation, psychopharmacological consultation, medication management, and 24-hour crisis services.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority follows all GASB pronouncements as well as all relevant pronouncements of the Financial Accounting Standards Board (FASB) statements codification (FASB ASC), unless these pronouncements conflict with or contradict GASB pronouncements.

The financial statements of the Authority have been prepared using the proprietary basis of accounting whereby all revenues and expenses are subject to accrual. Financial information of the Authority is presented in government-wide financial statements consisting of a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. The Authority reports its operations as a business-type activity. Business-type activities are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

The more significant accounting policies of the Authority are described below.

***Federal Financial Assistance Programs***

The Authority participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

***Fair Value Measurements***

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2 – Inputs to the valuation methodology include the following:
  - Quoted prices for similar assets or liabilities in active markets,
  - Quoted prices for identical or similar assets or liabilities in inactive markets,
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fair Value Measurements (Continued)***

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Authority measures certain assets on a non-recurring basis, such as contributed land, buildings, and vehicles. Fair value less accumulated depreciation for all these assets approximates carrying value. For additional information, see Note 6.

All other current financial assets held and current financial liabilities assumed by the Authority have fair values that approximate their carrying values.

***Cash Equivalents***

The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

***Accounts Receivable***

Accounts receivable primarily consists of amounts due from federal grants, state contracts, and other third-party contracts/sources. These funds are considered fully collectible, exclusive of minor charges applied by the State for administrative charges. An allowance has been established for a substantial portion of the receivable related to Friendship Hall.

Clients of the Authority are charged on a sliding fee schedule which is based on income levels. The Authority uses a "waterfall" system with insurance sources such as Medicaid or BlueCross/BlueShield being billed first and then other payors as necessary if eligibility is denied. The patient is then billed for all residual amounts. The Authority records revenue as services are provided. Receivables related to client services are considered fully collectible; therefore, no allowance for doubtful accounts is maintained. If an amount is determined to be uncollectible, due to ineligibility, etc., the Authority reduces a future payment when that determination is made.

Amounts due from employees are collected via payroll deductions for health insurance and retirement.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets***

Equipment is recorded at cost, or fair market value if donated, less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization has a policy to capitalize equipment items with a cost or donated fair value greater than or equal to \$1,000.

***Accrued Vacation, Sick Leave, and Other Leave***

The Authority has in effect a personnel policy which allows annual leave to accrue at the rate of eight hours per month during the first year. After five years of employment, annual leave is earned at the rate of 162 hours per year. No more than 40 days may be accumulated. Employees leaving service may not be paid for more than 30 days (240 hours).

Sick leave is earned at the rate of one working day (eight hours) for each month of service. Sick leave is not accrued because employees are not entitled to it at end of service.

During the year ended September 30, 2014, the Authority adopted several new leave policies which include those for service recognition leave, inclement weather leave, and special condition leave. Service recognition leave is a fringe benefit that provides additional leave to employees based on length of service and is designed to encourage long-term employment. Inclement weather leave provides leave to employees for time spent absent from work due to severe weather such as impassable roads or life-threatening travel conditions. Special condition leave may be granted up to a maximum of 24 hours per occurrence for government-declared emergencies that prevent employees from commuting to work.

The Authority also adopted a leave sharing policy during the year ended September 30, 2014. If an employee is on medical or family medical leave in accordance with the Family and Medical Leave Act (FMLA) and has exhausted all leave (annual, personal, sick, service recognition, etc.), then the employee may contact the Executive Director to discuss the situation and request donated leave. If the verified prognosis from the physician states that the employee will be able to return to work within FMLA time limits, leave may be donated by other employees.

***Deferred Outflows of Resources / Deferred Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time. The Authority reported \$805,284 and \$912,125 of employer retirement contributions as deferred outflows of resources at September 30, 2019 and 2018, respectively.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The Authority reported \$998,051 and \$897,830

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred Outflows of Resources / Deferred Inflows of Resources (Continued)***

for the defined benefit pension plan as deferred inflows of resources at September 30, 2019 and 2018, respectively.

***Net Position***

Net position is required to be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal balance of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation..

Unrestricted - This component of net position consists of the remaining net assets that do not meet the definition of net investment in capital assets. Unrestricted net assets may be designated for specific purposes by action of management.

***Advertising***

Advertising costs are expensed as incurred. Advertising costs of \$0 and \$0 were charged to expense for the years ended September 30, 2019 and 2018, respectively.

***Pensions***

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

***Revenues***

Major funding sources of the Authority are patient fees; federal, state, and local grants; and other various contracts and grants. The Authority's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions association with providing services related to the Authority's major programs. Non-exchange revenues are reported as non-operating revenues.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenues (Continued)***

Operating expenses are all expenses incurred to provide the major program services, other than financing costs.

***Risk Management***

The Authority is exposed to risks of future material loss from torts; theft of, damage to, expropriation of, or destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; employee health, dental, and accident benefits; and acts of God. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims exceeding the commercial coverage in any of the three preceding years have not been significant.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Income Tax Status***

The Authority is a public nonprofit corporation, incorporated under ACT 310 of the 1967 Alabama legislature and as a governmental entity, the Authority is exempt from income taxes. Therefore, the Authority does not file an income tax return.

***Uncertain Tax Positions***

The Authority has evaluated its tax position as required under the relevant accounting standards and has determined that there are no uncertain tax positions that it would be unable to substantiate upon examination.

***Comparative Financial Information***

Certain reclassifications have been made to the September 30, 2018 financial statements in order for them to conform to the 2019 presentation. Net position and change in net position are unchanged due to these reclassifications.

***Subsequent Events***

Management has evaluated the effects of any subsequent events through December 30, 2020, which is the date the financial statements were available to be issued.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Authority's deposits at September 30, 2019 and 2018 were held by a financial institution in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables as of September 30, 2019 and 2018 for the Authority, including the applicable allowance for doubtful accounts, are as follows:

	2019	2018
Patients:		
Client copays	\$ 1,048	\$ 3,743
JBS Mental Health Authority	12,716	6,302
Rent	2,223	13,061
Subtotal	<u>15,987</u>	<u>23,106</u>
Governments:		
Grants	872,313	918,220
State of Alabama Medicaid/Medicare	867,175	354,291
Subtotal	<u>1,739,488</u>	<u>1,272,511</u>
Others:		
Friendship Hall	171,535	169,944
Montgomery Area Mental Health Foundation	7,183	-
Medical records	425	75
Other miscellaneous	1,653	594
Subtotal	<u>180,796</u>	<u>170,613</u>
Gross receivables	1,936,271	1,466,230
Less allowance for doubtful accounts	<u>(54,526)</u>	<u>(54,526)</u>
Net receivables	<u>\$ 1,881,745</u>	<u>\$ 1,411,704</u>

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 4 - CAPITAL ASSETS**

Property and equipment as of September 30, 2019 and 2018 consisted of the following:

	2019		
	Cost	Accumulated Depreciation	Book Value
Buildings and structures	\$ 5,192,568	\$ 1,206,141	\$ 3,986,427
Building improvements	1,263,531	587,433	676,098
Computer software	329,666	329,666	-
Construction in progress	-	-	-
Furniture and fixtures	28,411	28,160	251
Land	422,374	-	422,374
Office and household equipment	316,785	293,905	22,880
Vehicles	188,649	172,342	16,307
Total	<u>\$ 7,741,984</u>	<u>\$ 2,617,647</u>	<u>\$ 5,124,337</u>

	2018		
	Cost	Accumulated Depreciation	Book Value
Buildings and structures	\$ 5,192,568	\$ 1,072,666	\$ 4,119,902
Building improvements	1,263,531	507,256	756,275
Computer software	329,666	329,666	-
Construction in progress	48,952	-	48,952
Furniture and fixtures	28,411	27,451	960
Land	422,374	-	422,374
Office and household equipment	316,785	268,298	48,487
Vehicles	204,367	182,053	22,314
Total	<u>\$ 7,806,654</u>	<u>\$ 2,387,390</u>	<u>\$ 5,419,264</u>

Depreciation expense amounted to \$248,975 and \$256,961 for the years ended September 30, 2019 and 2018, respectively.

Certain vehicles and office furniture and equipment, with a purchase cost of \$103,536 and \$91,665 for the years ended September 30, 2019 and 2018, respectively, were acquired under various grant contracts with federal and state agencies for use in providing supportive housing services to the homeless and/or mentally ill population. Under terms of the contracts, title belongs to the respective grantors until the grant contracts expire. Upon expiration of the contracts, the grantors will review their respective capital items and determine whether they will maintain title or confer title to the Authority.



**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

A summary of changes in the cost of general capital assets follows:

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019
<u>Cost</u>				
Building and structures	\$ 5,192,568	\$ -	\$ -	\$ 5,192,568
Building improvements	1,263,531	-	-	1,263,531
Computer software	329,666	-	-	329,666
Construction in progress	48,952	-	(48,952)	-
Furniture and fixtures	28,411	-	-	28,411
Land	422,374	-	-	422,374
Office and household equipment	316,785	-	-	316,785
Vehicles	204,367	3,000	(18,718)	188,649
Totals	<u>\$ 7,806,654</u>	<u>\$ 3,000</u>	<u>\$ (67,670)</u>	<u>\$ 7,741,984</u>

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018
<u>Cost</u>				
Building and structures	\$ 5,192,568	\$ -	\$ -	\$ 5,192,568
Building improvements	896,960	366,571	-	1,263,531
Computer software	329,666	-	-	329,666
Construction in progress	230,081	12,508	(193,637)	48,952
Furniture and fixtures	28,411	-	-	28,411
Land	422,374	-	-	422,374
Office and household equipment	316,785	-	-	316,785
Vehicles	193,480	-	10,887	204,367
Totals	<u>\$ 7,610,325</u>	<u>\$ 379,079</u>	<u>\$ (182,750)</u>	<u>\$ 7,806,654</u>

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

A summary of changes in the accumulated depreciation of general capital assets follows:

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019
<u>Accumulated depreciation</u>				
Building and structures	\$ 1,072,667	\$ 133,476	\$ -	\$ 1,206,143
Building improvements	507,256	80,177	-	587,433
Computer software	329,666	-	-	329,666
Construction in progress	-	-	-	-
Furniture and fixtures	27,451	708	-	28,159
Land	-	-	-	-
Office and household equipment	268,298	25,607	-	293,905
Vehicles	182,052	9,007	(18,718)	172,341
Totals	<u>\$ 2,387,390</u>	<u>\$ 248,975</u>	<u>\$ (18,718)</u>	<u>\$ 2,617,647</u>

	Balance 10/1/17	Additions	Reductions	Balance 9/30/18
<u>Accumulated depreciation</u>				
Building and structures	\$ 939,191	\$ 133,476	\$ -	\$ 1,072,667
Building improvements	421,359	85,897	-	507,256
Computer software	329,666	-	-	329,666
Construction in progress	-	-	-	-
Furniture and fixtures	26,358	1,093	-	27,451
Land	-	-	-	-
Office and household equipment	239,965	28,333	-	268,298
Vehicles	173,890	8,162	-	182,052
Totals	<u>\$ 2,130,429</u>	<u>\$ 256,961</u>	<u>\$ -</u>	<u>\$ 2,387,390</u>

**NOTE 6 - CONTRIBUTED CAPITAL ASSETS**

Contributed capital assets are stated at fair value less accumulated depreciation and consist of land and buildings located at 2140 Upper Wetumpka Road and 101 Coliseum Boulevard in Montgomery, Alabama and two passenger vans. Fair values for the locations were determined based on a level 2 input of an appraisal and fair values for the vehicles were determined based on a level 2 input of an automobile valuation derived from observable market data involving a reputable automobile valuation reference guide.

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 6 - CONTRIBUTED CAPITAL ASSETS (CONTINUED)**

Fair values and carrying values for each location for the years ended September 30, 2019 and 2018 were as follows:

2019		
Contributed Asset	Fair Value	Carrying Value
2140 Upper Wetumpka Road	\$ 2,523,262	\$ 2,125,503
101 Coliseum Boulevard	1,362,726	193,031
2011 Ford E350 XL passenger van	15,739	3,148
2011 Ford E350 XL passenger van	13,973	2,795
Total	<u>\$ 3,915,700</u>	<u>\$ 2,324,477</u>
2018		
Contributed Asset	Fair Value	Carrying Value
2140 Upper Wetumpka Road	\$ 2,523,262	\$ 2,185,922
101 Coliseum Boulevard	1,362,726	1,223,424
2011 Ford E350 XL passenger van	15,739	6,296
2011 Ford E350 XL passenger van	13,973	5,589
Total	<u>\$ 3,915,700</u>	<u>\$ 3,421,231</u>

All are considered to be assets that fall within the level 2 fair value measurement input. The table below displays these capital assets using a market approach. There were no changes in the valuation technique during the current year.

**NOTE 6 - CONTRIBUTED CAPITAL ASSETS (CONTINUED)**

2019 Fair Value Measurement Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Land and buildings held for use	\$ -	\$ 2,318,534	\$ -
Passenger vans	-	5,943	-
	<u>\$ -</u>	<u>\$ 2,324,477</u>	<u>\$ -</u>
2018 Fair Value Measurement Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Land and buildings held for use	\$ -	\$ 3,409,346	\$ -
Passenger vans	-	11,885	-
	<u>\$ -</u>	<u>\$ 3,421,231</u>	<u>\$ -</u>

**NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN**

***Plan Description***

The Authority provides its employees the opportunity to participate in a defined contribution plan administered by the Retirement Systems of Alabama (RSA). A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

***Funding Policy***

All full-time employees may participate in the defined contribution pension plan. Participants may elect to contribute any amount desired as long as the participant does not exceed the maximum deferral allowable. The Authority does not make matching contributions to the plan.

## NOTE 8 - DEFINED BENEFIT PENSION PLAN

### *Plan Description*

The ERS, an agent multiple-employer public employee retirement plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control, which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

### *Benefits Provided*

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life.

Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Plan Description (Continued)***

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants.

As of September 30, 2018, membership consisted of:

	<u>Number</u>
Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP participants who are still in active service	<u>141</u>
Total members	<u><u>90,999</u></u>

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Benefits Provided (Continued)***

As of September 30, 2018, Montgomery Area Mental Health Authority, Inc., membership consisted of:

	<u>Number</u>
Retirees and beneficiaries currently receiving benefits	41
Vested inactive members	1
Non-vested inactive members	48
Active members	200
Post-DROP participants who are still in active service	<u>-</u>
Total members	<u><u>290</u></u>

***Contributions***

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2019, the Authority's active employee contribution rate was 6.91% of covered employee payroll and the Authority's average contribution rate to fund the normal and accrued liability costs was 3.88% of pensionable payroll.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Contributions (Continued)***

The Authority's contractually required contribution rate for the year ended September 30, 2019 was 4.00% of pensionable pay for Tier 1 employees, and 3.55% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Authority were \$289,531 for the year ended September 30, 2019, which the Authority reported as deferred outflows of resources related to employer contributions subsequent to the measurement date. This amount will be recorded as pension expense during the year ended September 30, 2020. Contributions related to the year ended September 30, 2019 that were payable to the Plan and remitted subsequent to year end totaled \$34,650 (\$22,849 employee portion; \$11,801 employer portion).

***Net Pension Liability***

The Authority's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	Expected	Actual	Actual
(a) Total pension liability as of September 30, 2017	\$ 15,513,984	\$ 15,381,713	\$ 15,462,760
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry age normal cost for October 1, 2017 - September 30, 2018	675,548	675,548	680,300
(d) Transfers among employers	-	20,857	20,857
(e) Actual benefit payments and refunds for October 1, 2017 - September 30, 2018	(983,946)	(983,946)	(983,946)
(f) Total pension liability as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x 0.5*(b)]	<u>\$ 16,369,792</u>	<u>\$ 16,248,127</u>	<u>\$ 16,332,722</u>
(g) Difference between expected and actual		(121,665)	
(h) Less liability transferred for immediate recognition		20,857	
(i) Experience (gain)/loss = (g) - (h)		(142,522)	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss]			\$ 84,595



**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Actuarial Assumptions***

The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return *	7.70%

\* Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial assumption as of September 30, 2017 were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

\* Includes assumed rate of inflation of 2.50%.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Discount Rate***

The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Net Pension Liability***

Changes in the Authority's net pension liability for the year ended September 30, 2018 based on the September 30, 2017 actuarial valuation were as follows:

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at September 30, 2017	\$ 15,513,984	\$ 14,271,688	\$ 1,242,296
Changes for the year:			
Service cost	675,548	-	675,548
Interest	1,164,206	-	1,164,206
Changes of assumptions	84,595	-	84,595
Difference between expected and actual experience	(142,522)	-	(142,522)
Contributions - employer	-	303,171	(303,171)
Contributions - employee	-	522,456	(522,456)
Net investment income	-	1,314,444	(1,314,444)
Benefit payments, including refunds of employee contributions	(983,946)	(983,946)	-
Administrative expense	-	-	-
Transfers among employers	20,857	20,857	-
Net changes	818,738	1,176,982	(358,244)
Balances at September 30, 2018	\$ 16,332,722	\$ 15,448,670	\$ 884,052

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the Authority's net pension liability calculated using the discount rate of 7.70%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
The Authority's net pension liability	\$ 2,741,497	\$ 884,052	\$ (694,357)

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/](http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/).

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended September 30, 2019, the Authority recognized pension expense of \$110,462. At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 321,179	\$ 500,378
Changes in assumptions	194,574	-
Net difference between projected and actual earnings on plan investments	-	497,673
Employer contributions subsequent to the measurement date	289,531	-
Total	<u>\$ 805,284</u>	<u>\$ 998,051</u>

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

2020	\$ (27,827)
2021	(177,378)
2022	(149,422)
2023	(81,836)
2024	(43,966)
Thereafter	(1,869)

**NOTE 9 - LINE OF CREDIT AND NOTE PAYABLE**

The Authority had an unsecured bank line of credit in the amount of \$187,000, which matured December 15, 2017. The credit limit for this line of credit was \$600,000. Amounts borrowed under this agreement carried an interest of 6.25%. The purpose of this line of credit was to fund roof replacement at the Authority's 2140 Upper Wetumpka Road location. The line of credit was refinanced on December 14, 2017 as a note payable for \$600,000 accruing interest annually at the rate of 6.25%. The loan amount was composed of the amount disbursed as of December 14, 2017 of \$312,087.30 and the remaining maximum line of credit undisbursed funds of \$287,912.70. Repayment was to be made in two payments of \$302,424.05 each on January 14, 2018 and February 14, 2018. However, in an agreement dated March 16, 2018, a payment arrangement was approved for the total disbursed amount of \$312,293, which includes interest on the original unpaid principal balance.

A summary of the note payable as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Note payable to River Bank & Trust carrying an interest rate of 3.50%, due in monthly installments of \$5,689 (principal and interest), maturing in March 2023, secured by a certificate of deposit with a carrying value of \$313,000 and \$313,000 at September 30, 2019 and 2018, respectively.	\$ 222,930	\$ 282,088
Less: current portion	<u>(60,252)</u>	<u>(59,292)</u>
Total long-term debt	<u>\$ 162,678</u>	<u>\$ 222,796</u>

**NOTE 9 - LINE OF CREDIT AND NOTE PAYABLE (CONTINUED)**

The future scheduled maturities of long-term debt are as follows:

2020	\$	60,252
2021		63,585
2022		65,846
2023		33,247
2024		-
Thereafter		-
Total	\$	<u>222,930</u>

**NOTE 10 - RENTAL INCOME**

The Authority leases a portion of the premises located at 101 Coliseum Boulevard in Montgomery, Alabama, to HandsOn River Region. The lease term is annual beginning on October 1, 2019. The base rent of \$1,050 (including utilities) is due and payable monthly, in advance.

The Authority leases a portion of the premises located at 101 Coliseum Boulevard in Montgomery, Alabama, to Mid-Alabama Coalition for the Homeless. The lease term is annual beginning on October 1, 2019. The base rent of \$515 (including utilities) is due and payable monthly, in advance.

The Authority leased premises located at 111 Coliseum Boulevard in Montgomery, Alabama, to Lighthouse Counseling Center. The lease had a five year term commencing March 1, 2013, with an option to renew this lease for two additional five year terms. The base rent for the original term was due and payable monthly, in advance, beginning on said commencement date, and monthly thereafter for five years at a rental rate of \$2,500 per month. The lease was terminated during fiscal year 2019 as a result of the dissolution of Lighthouse Counseling Center.

The Authority leases a portion of the premises located at 2140 Upper Wetumpka Road in Montgomery, Alabama, to Genoa, a QoL Healthcare Company. The lease was effective May 30, 2015 and the term is month-to-month. Rent will be pro-rated for any portion of a month in the event the lessee terminates the agreement on any date other than the first or last day of a month. The base rent of \$425 (including utilities) is due and payable monthly, in advance.

Buildings and land under operating leases were \$1,681,043 and \$1,681,043 as of September 30, 2019 and 2018, respectively, and are included in capital assets in the accompanying statements of net position. Accumulated depreciation for the capital assets under operating leases was \$375,368 and \$330,716, as of September 30, 2019 and 2018, respectively. The applicable depreciation expense for the years ended September 30, 2019 and 2018 was \$45,602 and \$45,958, respectively.

As a result of these operating leases, the Authority earned rent of \$23,543 and \$53,329 for the years ended September 30, 2019 and 2018, respectively.

**NOTE 10 - RENTAL INCOME (CONTINUED)**

The future minimum rentals on the non-cancelable operating lease related to the rental properties are as follows:

2020	\$ 18,780
2021	-
2022	-
2023	-
2024	-
Thereafter	-

**NOTE 11 - LEASE OBLIGATIONS**

The Authority is obligated under an operating lease with Baptist Health for office space at the Prattville Baptist Health location. The lease is for five offices and was effective October 1, 2015 and expires September 30, 2020. The monthly payment, payable in advance on or before the first day of each month, under the term of the lease is \$4,216. Total payments under the lease for the year ended September 30, 2019, were \$50,589.

The Authority is obligated under an operating lease with Glynwood Rentals LLC for office space located in Prattville, Alabama. The lease was effective September 25, 2020 and expires September 30, 2021. The monthly payment, payable in advance on or before the first day of each month, under the term of the lease is \$850. Total payments under the lease for the year ended September 30, 2019, were \$0.

The Authority leases apartments from Addison Park Apartments, McGehee Park Apartments, Green Meadows Apartments, The Crossings at Carmichael, and Courtyard CitiFlats for use in providing housing to its various housing program participants.

Under the Addison Park Apartments leases, which began on various dates during the fiscal year and expire on various dates during the current and next fiscal years, lease expense per month varies between \$605 and \$828 per month per unit. Total payments under the leases for the year ended September 30, 2019, were \$241,687 for the supportive housing (SHP) program and \$36,000 for the crisis and evaluation support team (CEST) program.

Under the Green Meadows Apartments leases, which began on various dates during the fiscal year and expire on various dates during the current and next fiscal years, lease expense per month per unit is \$649 for the evidenced-based supportive housing (EBH) program units and \$759 for meals, observation, and medications (MOM) program units. Total payments under the leases for the year ended September 30, 2019, were \$46,008 for the EBH program and \$41,820 for the MOM program.

Under the McGehee Park Apartments leases, which began on various dates during the fiscal year and expire on various dates during the current and next fiscal years, lease expense per month varies between \$535 and \$710 per month per unit. Total payments under the leases for the year ended September 30, 2019, were \$64,200 for the SHP program.

**NOTE 11 - LEASE OBLIGATIONS (CONTINUED)**

Under the Crossings at Carmichael leases, which began on various dates during the fiscal year and expire on various dates during the current and next fiscal years, lease expense per month varies between \$479 and \$515 per month per unit. Total payments under the leases for the year ended September 30, 2019, were \$86,250 for the SHP program.

Under the Courtyard CitiFlats leases, which began on various dates during the fiscal year and expire on various dates during the current and next fiscal years, lease expense per month varies between \$525 and \$639 per month per unit. Total payments under the leases for the year ended September 30, 2019, were \$17,656 for the SHP program.

The Authority is obligated under an operating lease with Pitney Bowes for a postage meter. The quarterly payment, payable in advance on or before the first day of the quarter, under the term of the lease is \$378. Total payments under the lease for the year ended September 30, 2019, were \$1,625.

The current minimum monthly payments under the terms of the above leases for the years ended 2020 through 2024 are as follows:

2020	\$ 609,717
2021	142,966
2022	1,512
2023	-
2024	-
Thereafter	-

**NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Authority monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. Financial assets available for general disbursement that is, without restrictions limiting their use, within one year of the statement of financial position date are as follows:

Cash, cash equivalents, and restricted cash	\$ 375,381
Accounts receivable	1,881,745
Prepaid expenses	121,882
Security deposits	<u>4,900</u>
Total financial assets	2,383,908
Less:	
Restricted financial assets	<u>55,343</u>
Financial assets available to meet cash needs for general disbursement within one year	<u><u>\$ 2,328,565</u></u>

**NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)**

The Authority holds in its cash account funds that remain donor restricted, which are client funds held in trust in the amount of \$50,443 and SHP apartment security deposits in the amount of \$4,900. These two amounts comprise the balance of restricted financial assets noted above, which is \$55,343.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

The Authority is governed by various federal, state, and local regulations as a result of grants and contracts with these agencies, and is therefore subject to audit by the respective cognizant agencies. In general, a governmental agency may audit a particular program up to three years after the close of the program for the entire program period, even though the program was for more than one fiscal period. Experience has shown that interpretations of these regulations are in a state of evolution making management unable to predict the ultimate effect, if any, for audits by governmental agencies. Liability resulting from such audits, if any, is undeterminable.

**NOTE 14 - SUBSEQUENT EVENTS**

Recently, the outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the Foundation, its performance, and its financial results.

On April 30, 2020, the Authority received loan proceeds in the amount of approximately \$1,839,300 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation intends to use the entire loan proceeds for purposes consistent with the PPP and anticipates full forgiveness of the loan.

**NOTE 15 - ECONOMIC DEPENDENCE**

The Authority received a substantial portion of its support for the years ended September 30, 2019 and 2018 from the State of Alabama, Alabama Department of Mental Health, United States Department of Housing and Urban Development, and various other city and county governmental entities.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE:</b>				
Grants	\$ 685,500	\$ 685,500	\$ 678,000	\$ (7,500)
Programs	14,796,565	14,796,565	14,410,992	(385,573)
Other	53,100	53,100	545	(52,555)
<b>TOTAL OPERATING REVENUE</b>	<b>15,535,165</b>	<b>15,535,165</b>	<b>15,089,537</b>	<b>(445,628)</b>
<b>OPERATING EXPENSES:</b>				
Conferences, conventions, and meetings	45,900	45,900	14,197	31,703
Depreciation	-	-	203,374	(203,374)
Dues and subscriptions	36,035	36,035	28,497	7,538
Loans and leases	313,810	313,810	332,972	(19,162)
Maintenance and repairs	131,931	131,931	120,275	11,656
Miscellaneous	1,608	1,608	3,471	(1,863)
Other direct program expenses	1,949,082	1,949,082	1,696,603	252,479
Personnel	11,752,477	11,752,477	10,604,988	1,147,489
Postage and shipping	5,923	5,923	4,949	974
Printing and publications	10,300	10,300	18,860	(8,560)
Professional fees	701,000	701,000	1,255,855	(554,855)
Rent and utilities	449,389	449,389	549,045	(99,656)
Supplies and equipment	102,710	102,710	127,716	(25,006)
Transportation	35,000	35,000	38,858	(3,858)
<b>TOTAL OPERATING EXPENSES</b>	<b>15,535,165</b>	<b>15,535,165</b>	<b>14,999,660</b>	<b>535,505</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 89,877</b>	<b>\$ 89,877</b>

See independent auditor's report and notes to required supplementary information.

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY**  
**SEPTEMBER 30, 2019**

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 675,548	\$ 674,374	\$ 665,014	\$ 671,395	\$ 557,189
Interest	1,164,206	1,109,785	1,032,209	948,386	899,443
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(142,522)	(553,953)	398,206	270,339	-
Changes in assumptions	84,595	-	226,643	-	-
Benefit payments, including refunds of employee contributions	(983,946)	(846,915)	(822,093)	(862,553)	(827,139)
Transfers among employers	20,857	387,430	(70,379)	-	-
<b>Net change in total pension liability</b>	818,738	770,721	1,429,600	1,027,567	629,493
<b>Total pension liability - beginning</b>	15,513,984	14,743,263	13,313,663	12,286,096	11,656,603
<b>Total pension liability - ending (a)</b>	<b>\$ 16,332,722</b>	<b>\$ 15,513,984</b>	<b>\$ 14,743,263</b>	<b>\$ 13,313,663</b>	<b>\$ 12,286,096</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 303,171	\$ 305,632	\$ 311,577	\$ 375,269	\$ 353,357
Contributions - employee	522,456	519,147	600,261	536,117	490,594
Net investment income	1,314,444	1,599,210	1,136,637	130,199	1,174,420
Benefit payments, including refunds of employee contributions	(983,946)	(846,915)	(822,093)	(862,553)	(827,139)
Transfers among employees	20,857	387,430	(70,379)	44,238	(85,779)
<b>Net change in fiduciary net position</b>	1,176,982	1,964,504	1,156,003	223,270	1,105,453
<b>Plan net position - beginning</b>	14,271,688	12,307,184	11,151,181	10,927,911	9,822,458
<b>Plan net position - ending (b)</b>	<b>\$ 15,448,670</b>	<b>\$ 14,271,688</b>	<b>\$ 12,307,184</b>	<b>\$ 11,151,181</b>	<b>\$ 10,927,911</b>

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY**  
**SEPTEMBER 30, 2019**

	2018	2017	2016	2015	2014
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 884,052</b>	<b>\$ 1,242,296</b>	<b>\$ 2,436,079</b>	<b>\$ 2,162,482</b>	<b>\$ 1,358,185</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>94.59%</b>	<b>91.99%</b>	<b>83.48%</b>	<b>83.76%</b>	<b>88.95%</b>
<b>Covered payroll *</b>	<b>\$ 7,536,866</b>	<b>\$ 7,439,054</b>	<b>\$ 7,360,530</b>	<b>\$ 7,513,496</b>	<b>\$ 6,788,210</b>
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>11.73%</b>	<b>16.70%</b>	<b>33.10%</b>	<b>28.78%</b>	<b>20.01%</b>

\* Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2019 the measurement period is October 1, 2017 to September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for fiscal year 2017.

**Notes to Schedules of Changes in Net Pension Liability:**

Only five years of information, rather than ten years, is presented in the above schedule as only five years of trend information is available as of the measurement period September 30, 2018, under GASB Statement No. 68 and 71.

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**COLLECTIVE DEFERRED OUTFLOWS AND INFLOWS FOR DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE**  
**SEPTEMBER 30, 2019**

Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amort- ization Period	Beginning Balance			Ending Balance		
				(a)	(b)	(c)	(d)	(e)	(f)
2018	\$ -	\$ 142,522	6.2	\$ -	\$ -	\$ -	\$ 142,522	\$ -	\$ 119,535
2017	-	553,953	6.4	-	467,398	-	-	-	380,843
2016	398,206	-	6.6	277,538	-	-	-	60,334	-
2015	270,339	-	6.5	145,566	-	-	-	41,591	-
<b>Total</b>				<b>\$ 423,104</b>	<b>\$ 467,398</b>	<b>\$ -</b>	<b>\$ 142,522</b>	<b>\$ 321,179</b>	<b>\$ 500,378</b>

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**COLLECTIVE DEFERRED OUTFLOWS AND INFLOWS FOR DIFFERENCES FROM ASSUMPTION CHANGES**  
**SEPTEMBER 30, 2019**

Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amort- ization Period	Beginning Balance						Ending Balance	
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	Amounts Recognize d in Pension Expense / Deferred Inflow
2018	\$ 84,595	\$ -	6.2	\$ -	\$ -	\$ 84,595	\$ -	\$ 13,644	\$ -	\$ 70,951	\$ -
2017	-	-	6.4	-	-	-	-	-	-	-	-
2016	226,643	-	6.6	157,963	-	-	-	34,340	-	123,623	-
2015	-	-	6.5	-	-	-	-	-	-	-	-
Total				\$ 157,963	\$ -	\$ 84,595	\$ -			\$ 194,574	\$ -

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**COLLECTIVE DEFERRED OUTFLOWS AND INFLOWS FOR DIFFERENCES IN INVESTMENT EXPERIENCE**  
**SEPTEMBER 30, 2019**

Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amort- ization Period	Beginning Balance			Ending Balance		
				(a)	(b)	(c)	(d)	(e)	(f)
2018	\$ -	\$ 213,715	5.0	\$ -	\$ -	\$ -	\$ 213,715	\$ -	\$ 170,972
2017	-	631,248	5.0	-	504,998	-	-	-	378,748
2016	-	243,768	5.0	-	146,260	-	-	-	97,506
2015	747,757	-	5.0	299,104	-	-	-	149,551	-
2014	-	391,382	5.0	-	78,278	-	-	-	-
<b>Total</b>				<b>\$ 299,104</b>	<b>\$ 729,536</b>	<b>\$ -</b>	<b>\$ 213,715</b>	<b>\$ 149,553</b>	<b>\$ 647,226</b>
Net difference between projected and actual earnings on investments				<b>\$ -</b>				<b>\$ 497,673</b>	

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SUMMARY OF AMORTIZATION OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**  
**SEPTEMBER 30, 2019**

Amort. Year	Actual and Expected Experience				Assumption Changes		Investment Gains / Losses				Total
	2015	2016	2017	2018	2016	2018	2015	2016	2017	2018	
2020	\$ 41,591	\$ 60,334	\$ (86,555)	\$ (22,987)	\$ 34,340	\$ 13,644	\$ 149,553	\$ (48,754)	\$ (126,250)	\$ (42,743)	\$ (27,827)
2021	41,591	60,334	(86,555)	(22,987)	34,340	13,644	-	(48,752)	(126,250)	(42,743)	(177,378)
2022	20,793	60,334	(86,555)	(22,987)	34,340	13,644	-	-	(126,248)	(42,743)	(149,422)
2023	-	36,202	(86,555)	(22,987)	20,603	13,644	-	-	-	(42,743)	(81,836)
2024	-	-	(34,623)	(22,987)	-	13,644	-	-	-	-	(43,966)
Thereafter	-	-	-	(4,600)	-	2,731	-	-	-	-	(1,869)
<b>Total</b>	<b>\$ 103,975</b>	<b>\$ 217,204</b>	<b>\$ (380,843)</b>	<b>\$ (119,535)</b>	<b>\$ 123,623</b>	<b>\$ 70,951</b>	<b>\$ 149,553</b>	<b>\$ (97,506)</b>	<b>\$ (378,748)</b>	<b>\$ (170,972)</b>	<b>\$ (482,298)</b>



**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULES OF EMPLOYER CONTRIBUTIONS**  
**SEPTEMBER 30, 2019**

	2019	2018	2017	2016	2015
Actuarially determined contribution *	\$ 289,531	\$ 331,058	\$ 333,156	\$ 339,832	\$ 400,586
Contributions in relation to the actuarially determined contribution	289,531	331,058	333,156	339,832	400,586
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 7,463,018	\$ 7,536,866	\$ 7,439,054	\$ 7,360,530	\$ 7,513,496
Contributions as a percentage of covered-employee	3.88%	4.39%	4.48%	4.62%	5.33%

\* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

\*\* Employer's covered payroll for fiscal year 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULES OF EMPLOYER CONTRIBUTIONS**  
**SEPTEMBER 30, 2019**

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**Notes to Schedules of Employer Contributions:**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019:

Actuarial cost method.....	Entry Age
Amortization method.....	Level percent closed
Remaining amortization period.....	18.0 years
Asset valuation method.....	Five-year smoothed market
Inflation.....	2.875%
Salary increases.....	3.375 - 5.125%, including inflation
Investment rate of return.....	7.875%, net of pension plan investment expense, including inflation

Only five years of information, rather than ten years, is presented in the above schedule as only five years of trend information is available as of the measurement period September 30, 2018, under GASB Statement No. 68 and 71.

OTHER SUPPLEMENTARY INFORMATION

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULE OF OPERATING REVENUES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Federal Government</u>	<u>State Government</u>	<u>Local Government</u>	<u>Fees</u>	<u>Other</u>	<u>Total</u>
<b>Federal Funds and Contracts</b>						
Department of Housing and Urban Development	\$ 796,723					
<b>State Department of Mental Health Funds and Contracts</b>		\$10,221,491				
<b>Counties</b>						
Autauga County			\$ 21,000			
Lowndes County			5,000			
Montgomery County Commission			170,000			
<b>Cities</b>						
Millbrook			2,000			
Montgomery			460,000			
Prattville			12,500			
Wetumpka			7,500			
<b>Fees</b>						
Consumer fees				\$ 3,345,108		
Disability determination fees				21,685		
Management service fees				10,467		
Probate court fees				15,518		
<b>Other</b>						
Miscellaneous					\$ 545	
<b>Total operating revenues</b>	<u>\$ 796,723</u>	<u>\$10,221,491</u>	<u>\$ 678,000</u>	<u>\$ 3,392,778</u>	<u>\$ 545</u>	<u>\$15,089,537</u>

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULE OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Administrative Expenses</b>	<b>Program Expenses</b>	<b>Total Expenses</b>
Conferences, conventions, and meetings	\$ 1,354	\$ 12,843	\$ 14,197
Depreciation	1,490	201,884	203,374
Dues and subscriptions	500	27,997	28,497
Loans and leases	2,250	330,722	332,972
Maintenance and repairs	151	120,124	120,275
Miscellaneous	-	3,471	3,471
Other direct program expenses	-	1,696,603	1,696,603
Personnel	1,418,438	9,186,550	10,604,988
Postage and shipping	91	4,858	4,949
Printing and publications	-	18,860	18,860
Professional fees	64,861	1,190,994	1,255,855
Rent and utilities	-	549,045	549,045
Supplies and equipment	870	126,846	127,716
Transportation	-	38,858	38,858
<b>Total operating expenses</b>	<b>\$ 1,490,005</b>	<b>\$ 13,509,655</b>	<b>\$ 14,999,660</b>

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b>FEDERAL GRANTOR, PASS THROUGH GRANTOR, AND PROGRAM TITLE</b>	<b>CFDA NUMBER</b>	<b>CONTRACT NUMBER</b>	<b>EXPENDITURES</b>
<b>MAJOR PROGRAMS:</b>			
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Continuum of Care Program	14.267	AL-0059L4C041409	\$ 796,723
<b>NON-MAJOR PROGRAMS:</b>			
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through Alabama Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SMX060001	110,903
Community Mental Health Services Block Grant	93.958	B1 AL CMHS	387,390
<b>Total U.S. Department of Health and Human Services</b>			<u>498,293</u>
<b>Total expenditures of federal awards</b>			<u>\$ 1,295,016</u>

**Notes to Schedule of Expenditures of Federal Awards:**

*The significant accounting policies used to prepare this schedule are the same as those contained in Note 1 of the Notes to Financial Statements.*

Total amount provided to subrecipients

\$0

Total value on noncash assistance expended

\$0

Total amount of insurance in effect during the year

\$0

Total amount of loans or loan guarantees outstanding at year end

\$0

The Authority has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

ADDITIONAL INFORMATION

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**BOARD OF DIRECTORS & OFFICIALS**  
**SEPTEMBER 30, 2019**

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Rev. Baxter Morris  
**President**  
Represents: City of Montgomery

Mr. Bruce Howell  
**Vice President**  
Represents: County of Autauga

Mrs. Jacqueline Darnell  
**Secretary**  
Represents: County of Elmore

Mrs. Caroline Horton  
**Treasurer**  
Represents: City of Prattville

Mr. Ken B. Austin  
Represents: City of Montgomery

Mrs. Helenor Bell  
Represents: City of Hayneville

Ms. Rashawn Blassingame  
Represents: County of Elmore

Rev. Dale Braxton  
Represents: County of Lowndes

Mrs. Leslie Carmichael  
Represents: County of Autauga

Mrs. Jean Davis  
Represents: County of Autauga

Mrs. Peggy Francis  
Represents: County of Elmore

Mrs. Ann Harper  
Represents: City of Millbrook

Mr. Curtis Harrison  
Represents: County of Lowndes

Mrs. Ginger Henry  
Represents: City of Prattville

Mr. Kelvin Mitchell  
Represents: City of Hayneville



**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**BOARD OF DIRECTORS & OFFICIALS**  
**SEPTEMBER 30, 2019**

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Rev. Albert Perkins, III  
Represents: County of Montgomery

Mrs. Arica Smith  
Represents: County of Montgomery

Mrs. Yulanda Tyre  
Represents: County of Montgomery

Mrs. Lisa Williams  
Represents: City of Montgomery

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*Officials:*  
Ms. Donna Leslie  
**Executive Director**

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*All Directors and Officials may be contacted by mail at the offices of the Authority, which is located at 2140 Upper Wetumpka Road, Montgomery, Alabama 36107.*

# MOSES & MOSES

CERTIFIED PUBLIC ACCOUNTANTS, INC.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Montgomery Area Mental Health Authority, Inc.  
Montgomery, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Montgomery Area Mental Health Authority, Inc., as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Montgomery Area Mental Health Authority, Inc.'s basic financial statements and have issued our report thereon dated December 30, 2020.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery Area Mental Health Authority, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery Area Mental Health Authority, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery Area Mental Health Authority, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**MOSES & MOSES  
CERTIFIED PUBLIC ACCOUNTANTS, INC.**

A handwritten signature in cursive script that reads "Moses and Moses" on the first line and "Certified Public Accountants Inc." on the second line.

Montgomery, Alabama

December 30, 2020

# MOSES & MOSES

CERTIFIED PUBLIC ACCOUNTANTS, INC.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Montgomery Area Mental Health Authority, Inc.  
Montgomery, Alabama

### **Report on Compliance for Each Major Federal Program**

We have audited Montgomery Area Mental Health Authority, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Montgomery Area Mental Health Authority, Inc.'s major federal programs for the year ended September 30, 2019. Montgomery Area Mental Health Authority, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Montgomery Area Mental Health Authority, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montgomery Area Mental Health Authority, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Montgomery Area Mental Health Authority, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Montgomery Area Mental Health Authority, Inc., complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

### **Report on Internal Control Over Compliance**

Management of Montgomery Area Mental Health Authority, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montgomery Area Mental Health Authority, Inc.'s internal control over compliance with the types of requirements that could have a direct and

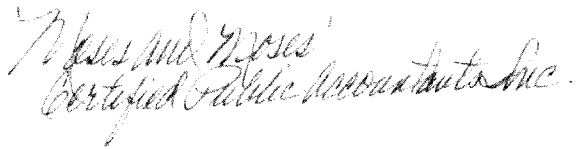
material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Montgomery Area Mental Health Authority, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**MOSES & MOSES  
CERTIFIED PUBLIC ACCOUNTANTS, INC.**

A handwritten signature in cursive script that reads "Moses and Moses" followed by "Certified Public Accountants, Inc." on a second line.

Montgomery, Alabama

December 30, 2020

**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u>    X    </u>	no
Significant deficiency(ies) identified?	_____ yes	<u>    X    </u>	none reported
Noncompliance material to financial statements noted?	_____ yes	<u>    X    </u>	no

***Federal Awards***

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	<u>    X    </u>	no
Significant deficiency(ies) identified?	_____ yes	<u>    X    </u>	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ yes	<u>    X    </u>	no

Identification of major programs:

<u><b>CFDA Number (s)</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
14.267	Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs:   \$ 750,000

Auditee qualified as low-risk auditee?	<u>    X    </u> yes	_____ no
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**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Section II – Financial Statement Findings (GAGAS)**

The audit did not disclose any findings required to be reported.

**Section III – Federal Awards Findings and Questioned Costs**

The audit did not disclose any findings required to be reported.

# MOSES & MOSES

CERTIFIED PUBLIC ACCOUNTANTS, INC.

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## REPORT ON COMPLIANCE WITH DEPARTMENT OF MENTAL HEALTH CONTRACT

Board of Directors  
Montgomery Area Mental Health Authority, Inc.  
Montgomery, Alabama

We have audited contract/grant/agreement numbers G998937, G9033449, G9423078, G9367024, and G9340928 between the Department of Mental Health (DMH) and the Montgomery Area Mental Health Authority, Inc., as of and for the year ended September 30, 2019.

Compliance with DMH contracts/grants/agreement, and all laws, rules and regulations applicable to Montgomery Area Mental Health Authority, Inc., is the responsibility of the Montgomery Area Mental Health Authority Inc.'s management. As part of obtaining reasonable assurance about whether the contracts/grants/agreements and all applicable laws, rules and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, Audit for Compliance with the Contract of the DMH Audit Guidelines. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contracts/grants/agreements. Funds claimed as match for federal programs were audited to determine if they were allowable and adequate to match the federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contracts/grants/agreements and all applicable laws, rules and regulations.

This report is intended for the information of management and DMH. However, this report is a matter of public record and its distribution is not limited.

**MOSES & MOSES**  
**CERTIFIED PUBLIC ACCOUNTANTS, INC.**



Montgomery, Alabama  
December 30, 2020



**MONTGOMERY AREA MENTAL HEALTH AUTHORITY, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Financial Statement Findings (GAGAS)**

There were no financial statement findings noted for the fiscal year ended September 30, 2018.

**Federal Awards Findings and Questioned Costs**

There were no federal awards findings or questioned costs noted for the fiscal year ended September 30, 2018.